

*The following column by Congressman Bachus was published in The Hill on October 17, 2007.*

Achieving consensus around subprime lending reform is a project that I have been working on for over two years now. The Fair Mortgage Practices Act, which I introduced in July with the support of several colleagues, is a balanced approach to the problem of predatory lending practices that will keep the dream of homeownership alive for millions of Americans.

Homeownership rates in the U.S. remain near the highest level in history, as more than two-thirds of Americans can now proudly call themselves homeowners. Low interest rates, government policies encouraging homeownership, and a fundamentally strong economy have fostered a competitive marketplace, as has subprime lending which provides millions of people with credit opportunities which might not otherwise be

available to them.

While we should not minimize the dislocation and stress faced by borrowers in danger of losing their homes – with many of the resets of adjustable rate mortgages yet to come – the data are mixed and still developing. The overwhelming majority of homeowners are paying their mortgages on time and even within the smaller subprime niche, most borrowers are current on their payments.

The problems experienced by borrowers have generally been concentrated in states which have experienced stressed economic circumstances for years and in cities and states that have recently had an unusually large runup in real estate prices.

We must provide appropriate help where needed, but not lose sight of the fact that market participants and regulators are using tools already available to them to assist homeowners to mitigate this distress. Lenders and GSE's are offering replacement loans with lengthened terms and other options to lower payments and keep families in their homes.

The Federal Housing Administration is taking administrative action to help homeowners refinance their existing mortgages, and regulators have urged private lenders to be flexible with borrowers.

Foreclosure is expensive and doesn't benefit either the lender or borrower.

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Predatory lending cannot be tolerated. Financial Services Chairman Barney Frank and I share a commitment to ending these abusive practices.

During the 109<sup>th</sup>

Congress, I developed draft legislation that now-Chairman Frank agreed could have served as the basis for a bipartisan solution.

Reacting to this complex issue with a measured response remains my goal. In July, Representatives Pryce, Miller,

LaTourette and I, along with our late colleague Paul Gillmor, introduced the Fair Mortgages Practices Act (H.R. 3012) to combat abusive lending practices.

The FMPPA contains the following new or enhanced consumer protections: a national licensing system for mortgage originators, simplified disclosure of loan terms, a requirement that subprime mortgages have escrow accounts for taxes and insurance, improved integrity for appraisals, restrictions on certain prepayment penalties, encouragement to financial institutions to evaluate a

borrower's ability to repay a loan, strengthened enforcement against mortgage fraud schemes, and increased support for housing counseling.

The national licensing system will help ensure that only the most responsible, ethical, and qualified professionals continue to be attracted to the industry. It will prevent bad actors engaged in mortgage fraud from simply moving from state to state.

Alex Pollock of the American Enterprise Institute has worked with us on developing a one page disclosure that will clearly spell out the terms of a loan to prospective homebuyers. Amid the blizzard of paperwork associated with a closing on a home, this page will clearly delineate the financial responsibilities that a homebuyer is assuming.

During a recent Financial Services

Committee hearing, both Treasury Secretary Henry Paulson and Federal Reserve Chairman Ben Bernanke spoke favorably about the concepts of uniform standards and improved consumer disclosure that are two of the key elements of my bill.

The Fair Mortgages Practices Act can bring people together in a bipartisan way to solve problems without overreaching. Subprime lending has been very successful in providing housing, especially for low income families.



Preserving the American Dream of homeownership and the liquidity that makes it possible should be a high priority as we work together on solutions.